International Journal of Trend in Scientific Research and Development (IJTSRD)
Volume 5 Issue 3, March-April 2021 Available Online: www.ijtsrd.com e-ISSN: 2456 – 6470

The Importance of Supply Network Development and Firm's Capabilities in Building Business Performance: A Theoretical Review

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ABSTRACT

This paper discusses the advantages and importance of supply chain network development and firm's capability to enhance competitive advantage. Supplier network (supply *network*) plays an importance role for the company so that they will be able to play a more active role and optimal in the management and operation of the network of suppliers that include product design, production, suppliers, marketing and distribution. In large companies, a strong distribution network is needed, as well as in small and medium scale companies. Companies are required distribution network that is robust in the entire territory of Indonesia. To succeed in this objective, Companies need a distribution strategy, which is an area of marketing strategy aimed primarily at increasing sales and the number of customers to support sustainable growth.

***KEYWORDS**: SCM, Supply Network, Competitive Advantage*

***How to cite this paper**:* Robertus Sigit Haribowo Lukito | Lena Ellitan "The Importance of Supply Network Development and Firm's Capabilities in Building Business Performance: A Theoretical Review" Published in International Journal of Trend in Scientific Research and Development (ijtsrd), ISSN: 2456-6470, Volume-5 | Issue-3, April 2021, pp.603-610, URL: www.ijtsrd.com/papers/ijtsrd39903.pdf

IJTSRD39903

INTRODUCTION

Company has the distinction of limited sources of power and capability. Companies that can acquire, develop, and manage resources and capabilities that build competitive advantage have better performance than competitors in their industry. On the other hand, companies that do not develop the resources and capabilities that build competitive advantage will have lower performance.

Working together across an organization that is built on the basis of mutual understanding the differences in resources and capabilities will strengthen synergies among organizations that are involved in the cooperation of the (Craig 2005). Differences that will lead to the effects of synergy for the company that mutual cooperation, because the entire party who cooperate can share in the equity and activities, so as to avoid duplication of holdings of equity and activity (Chase 2005). Asset sharing and activities that have consequences to minimize the risk, the incidence of saving costs, and in total will tend to get right the results are more substantial and would create advantages competitive new that is not owned previously (Alan and Andrew 2007).

Furthermore, Whitehead (2001) explains that cooperation is the antecedent of the values of long - term relationships, and cooperation can arise from the momentary interests of both parties without having to start from trust or commitment, even though the cooperation that will be built is temporary. The relationship run long it will increasingly have value if the parties are related strive to maintain and expand it ; faithful / loyal to partner (Dharmmesta 1999, Thurau et al ., 2002, Oliver and De SARBO, 1988); has the intention to conduct cooperation in continual (*future intentions*). Furthermore, in the context of *Customer Relationship Marketing,* Kotler (2003) states that in the long-term customer loyalty is the goal of strategic marketing planning. Dharmmesta (1999) also explained that customer loyalty is the basis for the development of a sustainable competitive advantage. Customer Loyalty is interpreted also as the loyalty of the whole party that is associated with organization which is indicative of the values of relationship run length is variable primary in establishing the cooperation between the organization and to achieve long term value relationship (Ganesan 1994, Storbacka et al., 1994).

In the study of management strategies, how companies get competitive advantages that sustainable is to develop the capabilities of the organization (Raharso, 2009). Definition capability is the ability to enhance the action), however, how to be able to enhance the action, so that the actions the organization are much better than the action competitors as a structure activity around the members of an organization that should executed in comprehensive way.

Dynamic capability is the capacity for extracting ability of resources now becomes the ability of resources to come through the development of competencies which is new, then the capabilities of the dynamic that will include two elements: (1) the capability to exploit things new (capability exploitation*)* and (2) the capability to build things new *(capability building)* (Luo, 2002). Capability of exploitation is a matter that relates to the ability to explore is vast generation of resources to be specific, difficult to imitate, and is able to create profit for the organization. Capability development includes the ability to enhance capability are widely through the process of learning in organizations other, the development of skills of new, or revitalize skills possessed to be able finish new job in accordance with the conditions of the time of this.

Research by Harland and Knight, (2000) define role of supplier network (supply *network*) for the company is a medium in which the company will be able to play a more active role and optimal in the management and operation of the network of suppliers that include product design, production, suppliers, marketing and distribution, then all these elements are coordinated and adapted to environmental and market conditions. From the description above refers to k 's that the benefits of the management philosophy of the supply chain for the company is very clear, namely, philosophical concept that provides solutions how to improve relations seller and purchase through strategic integration of suppliers and retailers, and development a model of *the supply network* (network suppliers).

In its development, the concept of a supplier strategy (supply) enters a new chapter in the development of corporate strategy. What's interesting about this new phenomenon? Lots. *Supply network management* focuses on solving business process problems that are important to the customer or retailer. The emphasis is shifting away from "effortless" quick fixes. *Supply network management* looks at the entire value chain from consumption to strategic objectives formulated and implemented by the company. The goal is to be flexible, quickly supply defect-free products to the chain, and eliminate all unnecessary costs and lead time (Chandra and Kumar, 2000).

This paper discusses the advantages and importance of a close cooperative relationship. Academics and researchers now acknowledge this important thing related to the cooperation between companies as an asset strategy. The marketer must focus on the continuous maintenance of the relationship between the customer and his supplier (supplier), then he sees it as an important part of their business asset. Furthermore, he suggested research that the content of measuring how organizations enter the market through partner cooperation and developing an understanding of the factors that influence the development and management of partner relationship strategies in the scope of supply network management. Consistent with this issue, other research also proves the importance of intercompany cooperation in the description of corporate supplier strategy (Johnson, 1999).

Research on evaluating the effects of supply networks on marketing performance is limited and fading. So, the existing research is only able to explain the effect of *supply network* on marketing performance in a limited way. Some evidence shows that the effect of long-term relationships provides optimal marketing performance for both suppliers and retailers (Johnson 1999). Thus, only with the direction of future research on the research conducted by Campbell (1998) begins with the limitations of the study, where the Company continues to seek ways to increase its effectiveness and improve its baseline. One topic area that is being updated is Supply Network Strategy. Therefore, futures research should be studied more in management practices supply chain or Supply chain strategy to improve the quality of production and operating perfectly able to strengthen coordination and improve the quality of relationships between companies (suppliers) with the retailers or sellers as company partners (suppliers), as a priority for future research.

Research conducted by Peng (2016) on supply chain management capabilities and information technology capabilities on company performance shows significant results that affect the company's performance. The results of this study indicate that it is limited to the role of the supply chain management capability to improve company performance, but it does not show what strategies the supplier network should take to improve company performance.

In large companies, a strong distribution network is needed, as well as in small and medium scale companies. Companies are required distribution network that is robust in the entire territory of Indonesia. To succeed in this objective, Companies need a distribution strategy, which is an area of marketing strategy aimed primarily at increasing sales and the number of customers to support sustainable growth. Not enough empirically research demonstrate how the power of Network Strategy Suppliers, Synergy of Cooperation, Capability Dynamic able to explain variations in performance through the strategic role of development effort that encourages the study was conducted and is novelty in this study. By because it is an analysis of critical, especially at companies small associated with how to build a network of suppliers and improvement dynamic capability.

Supplier Network Strategy

Optimization and integration of network suppliers is the focus and goal of most companies around the world. The findings of these results refer to the evidence, where the *supply chain* provides a real change in company acceptance through an emphasis on low costs, customer growth and increased sales. The concept of a value chain, value *chain* is a new channel management scheme built by the company with the aim of orienting the company towards the needs and desires of its customers (Lings 2000). The concept of a supplier network strategy is a new scheme of supply chain strategies that appears and develops in a wider or more global scope. . Supply of network strategy is a new concept of management and management philosophy supplier chain that was born as a solution to decision makers in addressing the issue that more and more complex. at the operational line and entrenched in the enterprise vendor performance, the existence of Supply network strategy focused on the development of supplier performance through supplier network (supply network). Even the supply network strategy is positioned as an approach to "planning" (planning) management strategy. this assumption appears as a huge benefit, and it means for a company associated with its operations to better understand and develop network management roles (Ritchie and Brindley, 2000).

Research Harland and Knight (2000) defines the role of the network of for the company is a medium in which the company will be able to play a more active role and optimal in the management and operation of the network of suppliers that include product design, production, suppliers, marketing and distribution, then all of these elements are coordinated and adapted to environmental and market conditions. From the information above, it shows that the benefits of the supply chain management philosophy for the company are very clear, namely, it is a philosophical concept that provides solutions on how to improve the quality of seller and buying relationships through the integration of supplier and retailer strategies, and the development of a *Supply Network* model (supplier network).

Research by Chandra and Kumar, (2000) shows that *Supply Chain Strategy* practices can be a solution for companies. Supply chain management practices have shown success in overcoming company problems related to the following problems: 1). Arrangement of products (goods) and services (services) produced by the company; 2). The role of the supplier network concept will make the company or management more efficient in regulating demand and flow of products (goods) and services (services); 3). Supply chain management is a philosophy that focuses on business performance which is built from the synergy of operations management, marketing and strategic management constructs; 4). Supply chain management is a strategy that can provide benefits, namely, sustainable competitive advantage through coordination and integration of business activities between supply companies and retailers.

Strength of Cooperation Relationships

Cooperation is a relationship between two or more entities (people or organizations) to achieve one or more common goals. In the sociological context Lings (2000) explains that humans are social creatures who need other individuals, humans are members of other groups: groups, associations or institutions. So, the nature of cooperation is natural, it is a human need as a social being, where no one can avoid "needing another party".

Hage (1994) defines that cooperation between organizations includes efforts that are simple relationships, such as: information exchange, to complex relationships such as producing joint products. These efforts cover a very wide range of activities, and form a unified series of activities between partners. Axelrod (2000) divides the pattern of cooperation between organizations into 3 (three) categories, namely: cooperation between similar companies (horizontal cooperation), complementary cooperation (complementary) or, multi-business cooperation (between stakeholders, both similar, substitution and complementary businesses (for example: the financial / financing institution).

Wood and Gray (1991) emphasized that cooperation is the antithesis of competition, even though this competition is a trigger for one organization to be superior to other organizations. He also explained that working together in an organization does not mean eliminating this competition, but business people try to optimize the use of *assets,* capabilities / competencies they have to achieve results by building business networks in various business lines and management functions. This opinion is also supported by Brandenberg and Nalebuff (1996) that *cooperation* is a combination of *cooperation* with *competition,* which is a strategic means to build business continuity. However, Palmer (2000) states that strategic means to build business continuity need to develop a combination of cooperation and competition which he calls *"competition"* (integration of *co-operation* and *competition)*. Furthermore, these strategic tools can emerge with the existence of a collaboration which is a long-term agreement, where competitors and complementary will learn and play in the market in front of the final consumer.

In cooperation: partnerships, collaborations, *partnerships* and other forms of cooperation do not mean eliminating competition but how to collaborate in facing competition and compete in creating competitive positional advantages for the achievement of better marketing / company performance. This inter-business collaboration for companies can be done in the form of sharing: strategic resources, risk, knowledge, technology, market information, market control, and can even be used as collaboration to confront newcomers or block imitations (Barney 1991). This can be achieved because business people in *networking* or collaborating will have a strong competitive positional advantage if the partnership is successful.

Furthermore, Axelrod (2000) explains that synergy is a condition of an organization that collaborates, and that collaboration results in something that is totally more efficient, more effective, more productive, and better than if it is done individually. Alan and Andreas (2007) explain that synergy is the overall result achieved is greater than the result of the number of parts (individuals) working together. There are various meanings of the meaning of synergy, but synergy is always interpreted as (Axelrod, 2000), namely:

a. mutually beneficial relationship where the whole is more profitable than the part, b. dynamic state in which the combined action is preferred over the number of individual component actions. C. The behavior of the entire system cannot be predicted by the behavior of their separate parts. More accurately known as sudden behavior

Based on the meanings described above, it can be understood that cooperation will produce synergy if the results obtained are greater, the combination of actions is dynamic, and individually they are unable to predict the entire behavioral system, but with the synergy of cooperation it will be more accurate in understanding the behavior unexpected. Collaborative synergy in relationships between organizations is obtained from the results of relational exchanges between cooperating parties in the form of complementary cooperation, substitutions or buyer-seller transactions, as well as *sharing assets* (Corning 1998).

Cooperation synergies in business can also be grouped into: Horizontal Synergy, Vertical Synergy and Triangular Synergy. Horizontal synergy is a synergy carried out by business people who work together in the same market or who compete for the same market. Vertical synergy is a synergy carried out by business actors whose functions are complementary. Meanwhile, triangular synergy is a synergy carried out by many parties: between competitors, complementary and other organizations with an interest in the cooperation.

A business collaboration will produce synergy, if it fulfills several elements, including: the dimensions of meeting the needs of the collaborating parties, and the dimensions of improving the performance of cooperation (Lee and Kim, 2007). Meanwhile, Anderson and Narus (1990) measure the synergy / quality of cooperation between organizations (manufacturers and suppliers) by using indicators of satisfaction between cooperating parties and the age of the alliance, meaning that the more satisfied and the longer the life of the collaboration is a reflection of the better the synergy of this collaboration. An important element in generating synergy in cooperation is high emotional involvement between the parties working together to achieve the results to be achieved based on proactive efforts to understand collaborators and not want to be understood, opening widely to find alternatives. best in cooperation and principled on a mutually beneficial mindset (*wim-win*).

Collaborative synergy can be built from strong collaboration between organizations (Anderson and Narus 1990), while strong collaboration means that all parties believe that collaboration will produce something bigger / better (Craig 2005), and not trying to take action. - opportunistic actions that will undermine the cooperation. Thus the collaboration will produce a synergy if: (1) each party has the strategic resources needed in the cooperation (strength / power), (2) the collaborating parties must be oriented towards a *win-win* pattern (win-win), (3) committed to achieving a bigger / better final goal, (4) based on positive exchange behavior, (5) working in the corridor of the agreement and obeying the agreement, (6) always open to changing the pattern of cooperation as an alternative in an effort to achieve better results.

Company Capabilities

Capabilities enable companies to "create and exploit external opportunities and develop resilient advantages when used with insight and agility (Hitt *et al* ., 2001: 113). Capability is synonymous with the ability, expertise and knowledge of organizational members, capabilities are able to provide strategic, creative and science and technology-based solutions for the company. Hayes *et al*., 1996 consistently emphasized that strategic capability plays an important role for companies to survive in competition; so it must be developed continuously.

The resources owned by the company are combined, the result is a number of capabilities, which are the skills found in individuals in the company (Hunger and Wheelen, 2003: 157). Capabilities become important when they are uniquely combined to create core competencies that have strategic value and can generate competitive advantage.

The development of the globalization process encourages competition for life between organizations to get tighter. The fundamental question in facing this competition is how to build an organization so that it is able to develop sustainably and win the competition. There are two kinds of strategic models that emphasize organizational efficiency, namely *Resource-Based Perspective* and *Dynamic Capabilities.* The *Resource-Based view* assumes that an organization consists of several types of assets, an organization that is superior if it has assets is able to drive high organizational performance. In this case the assets that are managed will produce organizational capabilities (the ability to do activities in producing products) .

Dynamic capability is the capacity to extract current resource capabilities into future resource capabilities through the development of new competencies, then dynamic capabilities will include two elements, (1) Capability to exploit new things (capability exploitation*)* and (2) Capability to build new things *(*capability building*)* (Luo, 2000). Exploitation capability is related to the ability to widely explore the generation of resources so that they become specific, difficult to imitate, and are able to create profits for the organization. Development capabilities include the ability to broadly develop capabilities through the learning process of other organizations, develop new skills, or revitalize existing skills so that they are still able to complete new tasks in accordance with current conditions.

The result of the research states that the dynamic capability of an organization is a complex relationship between factors. This is in line with the concept of Teece et. al. (1997) which states that the dynamic capability development process of an organization must go through a series of processes that have three roles, namely: (1) rules on coordination / integration (static concepts), (2) learning (dynamic concepts), (3) configuration (transformational concept). The existence of these three principles are the possible factors that influence dynamic capabilities in a complex relationship pattern. Organizational learning is a process for acquiring these dynamic capabilities.

Learning is a change that is relatively permanent from knowledge or behavior resulting from practice or experience (George & Jones, 2002). Learning will generally start from individuals, but organizations whose members carry out the learning process will encourage job redesign *to* be done so that organizational efficiency and effectiveness can increase, by finding new and better ways of working. This new, better way will be used by the organization to provide better service to its customers. Thus, the results of this organizational learning process are also changing in organizational capabilities for activities, changes in organizational capabilities.

If the result of organizational learning is a change in the organization's ability to do activities, the development of organizational capability is the development of the learning process. Thus, it can be determined that the core of organizational capabilities is organizational learning. Given the importance of organizational learning, Beer (2005) defines organizational capabilities as the level of ownership of the capacity to learn and change. Many organizations do not have this learning ability. Most of these companies do not fully realize the obstacle to developing this level of organizational rigidity, so their organizational rigidity has turned into a *silent killer.*

Learning will result in changes in knowledge or behavior. Knowledge and behavior here initially is the knowledge and behavior of individual employees, then internalized into the organization. Knowledge that is in a person can not necessarily be internalized in organizational practice. Knowledge (*knowledge*) can be divided into two, *tacit knowledge* that still exists within the members of the organization and cannot be written down, while *explicit knowledge* can be written. Knowledge in the form of *tacit knowledge* has been known in the form of *know-how,* skills, and practical knowledge by members of the organization, but it cannot be widely practiced in the organization because it cannot be formulated in written form (Raharso, 2009). *Tacit knowledge* is impossible or very difficult to become an innovation without going through conversion to *explicit knowledge* (Raharso, 2009).

Business Performance

There are several criteria in assessing a company's performance that are presented in various literatures. These criteria include *financial* and non-financial performance. The different criteria in measuring the company's performance actually depend on the performance measurement itself. Benchmarks are unique, due to the specificity of each business entity, including business sector, background, legal status, level of capital, level of growth and level of technology. These differences will affect the behavior of business entities, and by themselves will also affect the performance and benchmarks used (Hadjimonalis, 2000).

Much of the performance measurement comes from organizational theory and strategic management. In organizational theory, there are three fundamental approaches to measuring organizational effectiveness. A goal-based approach shows that an organization is evaluated through the goals it sets for itself. These three theoretical perspectives, the first being financial performance, are at the core of the field of organizational effectiveness (Venkatraman and Ramanujam, 1990). Beyond this core is the measurement of operational performance, the measure of which is based on product quality, and market share, which explains a broader conceptuality of organizational performance by focusing on the factors that lead to financial performance.

Researchers recommend *sales growth, employment growth, income growth* and *market share growth* as the most important measures of performance of small firms (Miles et. Al., 2000; Hadjimanolis, 2000).

Miles et. al., 2000, argued that subjective measurement of performance was chosen over objective measurement for several reasons. First, small companies are often very careful and strong in maintaining company financial data information. Therefore, subjectively, performance information will be easier to obtain than objective information. Second, the objective financial data of small firms are not published accurately and are sometimes not available, this makes it impossible to check the accuracy of reported financial performance. Third, assuming the financial data of small companies are reported, the data are mostly difficult to interpret. Finally, when the company is generally in a hostile environment and performance tends to decline, a subjective assesnt by comparing the general performance of other similar companies will be more appropriate. Previous research indicates that subjectively performance can be consistent with objective measurements and can increase the reliability and validity of the study (Ciptono, 2006).

Company performance is a factor commonly used to measure the impact of the strategy implemented by the company. In other words, company performance is a concept for assessing the performance of the business activities carried out by the company. Beals (2002) states that performance measurement is complex and a big challenge for a researcher. It is said to be a big challenge because as a construct, performance is multidimensional so that the use of a single measurement is not capable provide a comprehensive understanding. In other studies, marketing performance can be measured from the dimensions of sales volume, customer growth and profit by adding profitability, customer growth and sales volume .

Business performance can be understood as a medium for measuring the results a company has achieved over a period of time. This has been done by the company to have a positive impact on the company. Various companies have different ways of measuring their business performance. However, the measurement of performance can basically be classified into two main parts, namely measurement of financial performance (*financial)* and measurement of marketing performance.

Urgency of Partnership with Supplier Network

Currently, Companies are trying to continuously develop their resources and capabilities to increase their competitive advantage. In addition, Companies also seek to build partnerships and synergic cooperation with supplier networks with the aim of expanding market share and managing capabilities to be more dynamic, increasing skills and expertise and knowledge of organizational members (both management and employees) that have not been managed optimally.

Efforts to improve the supplier network are important for a company to strengthen the relationship between suppliers and Companies (Kurniawan, et al., 2018). The strategy of building a good supplier network can be done through building trust, active communication with suppliers, and a good understanding of the dynamics that occur in the business environment (Muljani and Ellitan, 2017). This can be a source of increasing the competitiveness of Companies. Through careful planning and coordination in the network, Companies are better able to align the framework of the supplier network and are able to create a structure in accordance with the company's goals to provide maximum service to its customers (Ellitan, 2017a). This study also supports research conducted by Hoffman *et al* (2016) which examines the relationship between the company's business strategy and supplier network management. Supplier network strategy has an important role in carrying out the business strategy of Companies.

The ability of Companies in managing the supplier network will create alignment of goals and strategies with suppliers so that they can drive the operation process (Anatan and Ellitan, 2009). Lack of the ability of Companies to build a good supplier network reduces production optimizatio. The inability to handle the supply chain, especially to build partnerships with existing suppliers, will decrease the effectiveness of operations, so that business development and business strategies are not able to achieve the targets set.

Building a supplier network is very important in facing business competition and is a strategy in building a competitive advantage for Companies. Lee *et al* (2015) found that the supplier partnership strategy has an important role to play in the management innovation process. Therefore, the partnerships that are built with suppliers and the innovation process go hand in hand and have an important role in facing business competition.

Cooperation with Suppliers and Business Development

Cooperation in the supply chain between Companies and suppliers can create effectiveness and productivity (Ellitan and Anatan, 2007). This is very important in creating service excellence in a service driven economy (Ellitan and Anatan, 2007). Through this strategy, Companies can improve their ability to develop the business to be carried out. Permana and Ellitan (2020) found that dynamic environmental conditions have an impact on the dynamics of the business environment. This dynamic should accelerate Companies' efforts to accommodate change. This creates the potential for tighter level competition and development in the field of product technology and process technology (Ellitan and

Anatan, 2009). The collaboration that is made by Companies is expected to create relationships to build and increase the dynamic capabilities of Companies to face the turmoil of changing business environments (Permana, et al., 2017).

Collaboration with a network of suppliers will create synergies to make it easier to achieve common goals. Synergy with suppliers creates opportunities for Companies to develop according to customer demands and competition. The company's development strategy in similar industries or related industries will have many effects such as economies of scale, structural integration of industrial chains, strong alliances and complementary advantages that can affect the survival of a company. This will make it easier for Companies to prioritize collaboration with suppliers and networks in the supply chain.

Failure to create synergies in the supply chain is very likely to create problems in important collective decision making for Companies and suppliers. The synergy of cooperation between Companies and suppliers affects the business development process. This collaboration will give Companies the ability to analyze various strategic decisions, analyze the competitive environment, and plan action mechanisms that are important in winning the competition. Collaboration with suppliers will increase the acceleration of product and process innovation.

The Importance of Dynamic Capabilities in Partnership with Suppliers

Companies that are able to extract resource capabilities now become superior future resource capabilities through developing new competencies, so these companies tend to have qualified resources so that they will be able to support the strategy in developing the business that will be carried out (Kurniawan, et al., 2018). Companies cannot only rely on their resources in carrying out business development strategies, but are also required to be able to conduct business partnerships with various parties, both with suppliers, distributors and even with their customers. Through a partnership strategy, Companies are better able to absorb a variety of new knowledge and skills that can be used for competency development from existing resources.

Dynamic capabilities are important for the success of a company's business strategy. This capability is the integration of various organizational resources that develop through a complex process of interaction between tangible and intangible assets owned by the organization. With the capabilities possessed by Companies (Permana and Ellitan, 2020), they will be able to exploit external opportunities and develop long-term competitive advantages. The dynamic capabilities of Companies will also greatly support the success of entrepreneurial strategies.

Resource management plays an importance role in increasing innovation and in turn will improve the performance of the company. This is as stated by Ellitan and Anatan (2009) in their book entitled Innovation Management. Capability is built through organizational learning that increases the ability of Companies to utilize their own resources or the results of collaboration with other companies including suppliers.

The capability of a company to build partnerships and synergies to improve skills and knowledge is the most suitable predictor in increasing innovation and performance. In a dynamic business environment, competition between companies encourages increased capabilities and rearrangement of all resources, both internal and external to Companies (Puspita, et al., 2020). Companies seek to improve the existing operational economy with the ultimate goal of satisfying consumers and improving company performance.

Partnership Strategy with Suppliers to Improve Business Performance

Companies that play a more active role and optimally manage and operate the *supply network* will tend to carry out their operational processes more easily (Kurniawan, et al. 2018). The research findings support research conducted by Ellitan and Muljani (2017) which shows that environmental analysis can direct management in analyzing factors that are threats to Companies. The results of this analysis direct Companies in developing various ways and approaches to rearrange priorities. For example, planning in a good distribution will provide higher business performance. By choosing the right supplier and synergizing it will get better results.

The results of this study indicate that the supplier network strategy consisting of trust, communication and environmental dynamics has an influence on the performance of Companies. The strategy in *supply chain management* has an influence on the relationship between suppliers, consumers and distributors. Suppliers also have a responsibility in terms of the quality of products produced by Companies, thus suppliers must provide the best supply to their business partners, namely partner Companies. The supplier network strategy must be carried out in the long term between suppliers, Companies and consumers. This will guarantee product distribution from upstream to downstream so that it will arrive on time to the end user. This linkage will create a smooth operational process for Companies, and in turn will improve the performance of Companies (Ellitan and Sigit, 2018).

The supplier network strategy is one of the components of *supply chain management* that must be carried out to guide Companies in determining the appropriate choice of strategy and operational capabilities of the supplier company in supporting performance achievements. The final goal to be achieved with the SCM strategy is for Companies to focus more on *mutual planning* between Companies and suppliers, to be able to solve joint problems between companies and suppliers (Anatan and Ellitan, 2009). Cooperation between Companies is also carried out in the perspective of a marketing network relationship.

Conclusion

Companies should be able to develop capability to support Quality Management System company is a capability that supports HRM strategically contribute to the achievement of corporate goals include knowledge of the business enterprise, knowledge of financial information for decision-making processes, and cost-benefit considerations in decision-making business. Thus business capability determines the effectiveness of strategic HRM. This capability is integrated into the *skills* and *knowledge of* employees in the company. Company competencies are based on capabilities, organizational routines, and the ability to learn. Therefore, companies must develop their core competencies continuously and / or prepare for changes and develop new resources, in order to maintain competitiveness.

The phenomena that occur in the field show that the main weaknesses of Companies that are often inherent in conducting capacity evaluations are the absence of qualified economic knowledge from top management, as well as excessive orientation towards solving technical problems without considering business problems that are management and market strategy in nature. Formal or market-oriented results planning or cost control is only carried out on an erratic basis. In addition, decision-making instruments are usually only carried out by a small number of individuals and are developed more intuitively than theoretically (Terziovski, 2007).

The business development strategy for the air conditioning industry, spare parts, industrial equipment in order to be able to improve the business by utilizing human resources (HR), namely (1) Identifying and evaluating the condition of the industrial business into its internal strengths and weaknesses; (2) Identifying and evaluating the external environment that becomes the opportunities and threats; (3) Analyzing strategies that have been implemented and formulating appropriate alternative strategies for business development, in order to compete with similar entrepreneurs who have greater capacity, both from a technical or capital perspective.

Based on the study of literature that made suggestions that could be addressed include: First, Companies should emphasizes on partnership and synergy of working together with suppliers to expand market coverage This is to be done to improve competitiveness in the national and global level. Second, Companies should make efforts to improve the quality of communication with both suppliers and distributors so that the internal business environment can be better organized first. Thus strengthening my competitiveness in the supply chain. Thus, Companies will be stronger in fostering cooperative relationships with old or new suppliers, which will accelerate their performance improvement.

Third, Companies should continuously improve the skills and knowledge of workers and management to be able to compete in a dynamic business environment. This effort must be preceded by a comprehensive change in resources, especially human resources. Efforts to improve human resource competence are the first steps to face business competition. Human resource competence is the main capital of Companies in an effort to increase competitiveness.

Cooperation in the supply chain makes Companies have broader insights in innovating, planning good business development and adapting to the current conditions of Companies. A well-prepared business development plan requires new knowledge and insights. This can be done by Companies by conducting training for management or establishing *joint ventures which* can be an option to prepare business development for the company's future.

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